

FISCAL NOTE

Bill #: SB0092

Title: Extend recycling tax credit—revise credit

Primary Sponsor: Mike Halligan

Status: Enrolled, As Amended

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:	0	0
Revenue:		
General Fund	\$0	(\$317,500)
Net Impact on General Fund Balance:	\$0	(\$317,500)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue

1. This bill would extend the sunset date of the recycling tax credit and deduction to December 31, 2005. Under current law, the credit may be claimed for recycling equipment purchases and the deduction may be claimed for recycled material purchases made on or before December 31, 2001.
2. For the eight years the credit and deduction have been in place, the average amount of credit claimed against individual income tax is \$156,000, and the average amount claimed against corporation license tax is \$128,000. The average revenue impact of the deduction is estimated to be \$135,000 for corporation license tax and \$30,000 for individual income tax.

(continued)

3. The amount of credit and deduction claimed in each year of the biennium will equal the average amount claimed in the last eight fiscal years. The amounts have varied from year to year, but there is no pattern or trend in the variations.
4. Credits claimed against both individual income tax and corporation license tax in fiscal 2002 will be for purchases made before the end of calendar 2001 and are allowed under current law. Thus, there is no revenue impact in fiscal 2002.
5. Credits and deductions claimed against individual income tax in fiscal 2003 will be for purchases in calendar 2002 and are not allowed under current law. Allowing these credits and deductions will reduce general fund revenue by \$186,000 in fiscal 2003.
6. A company paying corporation license tax files a return for its tax year, which is not necessarily a calendar year. Half of credits and deductions claimed against corporation license tax in fiscal 2003 will be for purchases made before the end of calendar 2001 and are allowed under current law. Allowing the credit for equipment purchased after the end of calendar 2001 will reduce general fund revenue by \$131,500.

Department of Environmental Quality

7. This bill would extend the sunset date of the recycling tax credit and deduction to December 31, 2005. Under current law, the credit may be claimed for recycling equipment purchases made on or before December 31, 2001.
8. Costs for individual and corporate tax credits from 1992 forward were identified and averaged using Department of Revenue information. For the eight years the credit has been in place, the average amount of credit claimed against individual income tax is \$156,000, and the average amount claimed against corporation income tax is \$128,000.
9. For investments that are affected by the sunset provision, credits claimed against individual income tax in FY2003 will be for equipment purchased in calendar 2002 and will reduce general fund revenue by \$156,000 in FY 2003.
10. A company paying corporation license tax files a return for its tax year, which is not necessarily a calendar year. For investments that are affected by the sunset provision, half of credits claimed against corporation license tax in FY 2003 will be for equipment purchased before the end of calendar year 2001 and are allowed under current law. Allowing the credit for equipment purchased after the end of calendar 2001 will reduce general fund revenue by \$64,000. A long-term impact of (\$128,000) is estimated.
11. The average annual cost of the tax deduction for the purchase of goods with recycled content is difficult to calculate. Estimates have been made by contacting industries that typically use the tax credits to determine how their customers are using the tax deductions, and by estimating deductions likely to be taken by larger industries. Corporate tax deductions are estimated at \$2,010,680 claimed at a tax rate of 6.75% resulting in a long-range revenue impact of (\$135,000). The estimate for FY 2003 is estimated at (\$67,500) or 50% of the long-range impact.
12. The long-range impact for individual income tax deduction is estimated at (\$30,000). There is less opportunity for small businesses and individuals to use this tax deduction and contact with individuals indicates smaller use of this tax benefit. The estimate for FY 2003 is estimated at \$30,000)

FISCAL IMPACT:

Department of Revenue

	<u>FY2002</u>	<u>FY2003</u>
	<u>Difference</u>	<u>Difference</u>
<u>Revenues:</u>		

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General Fund (01)	\$0	(\$317,500)
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	\$0	(\$317,500)
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FISCAL IMPACT:

Department of Environmental Quality

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Revenues:</u>		
General Fund (01) Corp. Income Tax Credit Extension	0	(64,000)
General Fund (01) Indiv. Income Tax Credit Extension	0	(156,000)
General Fund (01) Corp. Income Tax Deduction Extension	0	(67,500)
General Fund (01) Indiv. Income Tax Deduction Extension	0	<u>(30,000)</u>
TOTAL		(\$317,500)

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	0	(\$317,500)
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LONG-RANGE IMPACTS:

Department of Revenue

Under current law, no credits would be allowed after fiscal 2003. Extending the sunset date would reduce general fund revenue by \$449,000 in each of fiscal years 2004 and 2005 and by \$131,500 in fiscal 2006.

Department of Environmental Quality

There will be an additional three-year impact to state revenues of (\$449,000) in FY2004, FY2005, and FY2006. Of this amount (\$284,000) will be from the extension of the tax credit and (\$165,000) because of the extension of this tax deduction. There will be (\$131,500) in total impacts in FY2007 because of the phase out of the credit and deduction to correspond with the corporate tax years.